

Message Text

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C O N F I D E N T I A L NASSAU 1396

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E.O. 11652: GDS

TAGS: EFED EFIN BF

SUBJ: SEC INVESTIGATION OF ICD

REF: NASSAU 1383

1. EMBASSY ECON OFF MET WITH CENTRAL BANK GOVERNOR DONALDSON ON ISSUES OUTLINED REFTEL I.E. REPORT OF INDEPENDENT COUNSEL AND ACCESS TO PRICE WATERHOUSE DOCUMENTS. DONALDSON AND ST. GEORGE HAD MET WITH PRIME MINISTER EVENING BEFORE TO DISCUSS SAME ISSUES. ON QUESTION OF INDEPENDENT COUNSEL, PRIME MINISTER STATED THAT HIS GOVERNMENT DID NOT WANT TO ORDER AN INDEPENDENT AUDIT REPORT, DID NOT WANT SUCH A REPORT SUBMITTED TO GCOB, AND HE HAD PROBLEMS WITH BAHAMIAN COMPANY SUBMITTING SUCH A REPORT TO SEC. DONALDSON INTERPRETED HIS REMARKS TO MEAN THAT WHILE PRIME MINISTER DID NOT WANT GCOB TO BE INSTIGATOR OF SUCH A REPORT DONALDSON AS BOARD MEMBER OF ICD COULD VOTE FOR COMPANY TO INSTIGATE A REPORT WHICH FOLLOWED SCENARIO OUTLINED IN REFTEL.

2. ST. GEORGE, WHEN CONTACTED BY PHONE, INTERPRETED PRIME MINISTER'S REMARKS TO MEAN THAT GOVERNMENT I.E. THE PRIME MINISTER, WAS OPPOSED TO AN INDEPENDENT AUDIT AND REPORT BEING SUBMITTED TO SEC PERIOD. DONALDSON WAS PERSUADED BY THIS INTERPRETATION. SEC, FOR ITS PART, IS WORKING TO SEE IF THERE IS A COMPROMISE APPROACH TO THIS QUESTION.

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3. THE SECOND ISSUE DISCUSSED WAS THAT OF SEC ACCESS TO

RELEVANT PRICE-WATERHOUSE WORK PAPERS AND DOCUMENTS. DONALDSON BEGAN BY STATING THAT PRIME MINISTER WAS OPPOSED TO SEC'S ACCESS TO PRICE-WATERHOUSE DOCUMENTS AND WOULD A SWORN AFFIDAVIT FROM PRICE-WATERHOUSE SATISFY SEC? SEC REPS WERE CONTACTED BY TELEPHONE AND SAID STATEMENT WAS NOT SUFFICIENT, THAT THEY DIDN'T WANT POSSESSION OF DOCUMENTS BUT SIMPLY TO VERIFY THAT THEY HELD NO SURPRISES. SEC ONCE AGAIN REITERATED THAT THEY DID NOT WANT TO SEE ALL OF PRICE-WATERHOUSE PAPERS BUT MERELY THOSE RELEVANT TO THE KEY TRANSACTIONS. AFTER MEETING, DONALDSON CONTACTED ST. GEORGE AND ASKED HIM IF ICD COULD SEND PRICE-WATERHOUSE DOCUMENTS TO HIM. HE THEN PROPOSES TO REVIEW THEM AND GO BACK TO PRIME MINISTER WITH REQUEST THAT SEC BE ALLOWED TO SEE THEM.

4. SEC AND EMBASSY PROPOSE TO CONTINUE WORKING ALONG THESE SAME INFORMAL LINES FOR A FEW MORE DAYS TO SEE IF ISSUES CAN BE RESOLVED WITHOUT TAKING MORE FORMAL STEP OF APPROACHING MINEXTAFF AND ATTORNEY GENERAL ADDERLEY.

5. COMMENT: PROBLEM HERE SEEMS TO BE TWO-FOLD. FIRSTLY THAT PRIME MINISTER'S IDEA OF SEC PURPOSES ARE LARGELY BASED ON ST. GEORGE'S INTERPRETATION WHO, AS PREVIOUSLY REPORTED, HAS LITTLE OR NO CONFIDENCE IN PURITY OF SEC MOTIVES. ACCORDING TO DONALDSON, HOWEVER, THE PRIME MINISTER HIMSELF VIEWS SEC ACTIONS AS PART OF PLOT TO "GET HIM". SECONDLY, THAT WHILE PRIME MINISTER AND DONALDSON ARE STILL OPERATING ON ASSUMPTION THAT CONSENT DECREE IS BEST WAY OF PROCEEDING QUICKLY TO "PUT THIS QUESTION TO BED" ST. GEORGE IS OBVIOUSLY FIGHTING THE IDEA EVERY STEP OF THE WAY -- OR AT LEAST EVERY OTHER STEP. TAYLOR

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